PROVINCE OF SASKATCHEWAN

2010

ANNUAL REPORT

SASKPOWER SEVERANCE PAY CREDITS PLAN

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Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the Annual Report of the SaskPower Severance Pay Credits Plan for the year ending December 31, 2010.

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the SaskPower Severance Pay Credits Plan for the year ending December 31, 2010.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Saskatchewan Power Corporation
SaskPower Severance Pay Credits Plan

Introduction

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Severance Pay Credits Plan (the Plan) for the purpose of providing severance benefits to SaskPower employees.

The Plan is not registered as a pension plan under the *Income Tax Act (Canada)*. The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the Participants. Benefits are funded out of current operations of the Corporation.

On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

Participants

The Plan consists of International Brotherhood of Electrical Workers (IBEW), Communications, Energy and Paperworkers Union (CEP), and Management employees. As of September 30th, the following number of participants were eligible to receive benefits from each type of severance benefit payable under the Plan.

Benefit Type	# of participants
Pre-1996*	1,005
Post-1995*	498
Pre-2005**	520
Post-2005**	98

* Includes both IBEW and Management employees
** Includes CEP employees

Benefits

The following describes the various types of severance benefits payable on retirement, termination or death for all Participants under the Plan:

a) Pre-1996 severance pay credits are benefits provided to IBEW and Management employees for company service time prior to January 1, 1996.

b) Post-1995 severance pay credits are benefits provided to IBEW and Management employees for company service time after January 1, 1996.

c) Pre-2005 severance pay credits are benefits provided to CEP employees for company service time prior to February 1, 2005.

d) Post-2005 severance pay credits are benefits provided to CEP employees for company service time after February 1, 2005.

e) For those employees who voluntarily opted out of the Millennium Registered Retirement Savings Plan (MRRSP) due to insufficient RRSP contribution room, any eligible company service will be paid out under the provisions of the Plan document.

Each Participant receives 5 days per year of service at their hourly rate of pay in effect at retirement, termination or death based on the number of hours worked per day.

Upon termination of active service, Participants elect how severance benefits are to be paid. In the event of termination of service, SaskPower, on behalf of the Plan, may pay a Participant's severance benefits in a lump sum. However, in no circumstances shall benefits under this Plan be paid over a period exceeding 5 years.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the SaskPower Severance Pay Credits Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the SaskPower Severance Pay Credits Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the SaskPower Severance Pay Credits Plan for the year ended December 31, 2010 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Kathy Deck, CGA
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
March 17, 2011

SaskPower Severance Pay Credits Plan

Financial Statements

Year Ended December 31, 2010

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Power Corporation Severance Pay Credits Plan, which comprise the statement of net assets available for benefits and accrued benefits obligation and surplus as at December 31, 2010 and the statement of changes in accrued benefits obligation for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Power Corporation Severance Pay Credits Plan as at December 31, 2010, and the changes in its accrued benefits obligation for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 17, 2011

Brian Atkinson, FCA
Acting Provincial Auditor

Saskatchewan Power Corporation **Statement 1**
Severance Pay Credits Plan
Statement of Net Assets Available for Benefits and Accrued Benefits Obligation and Surplus

As At December 31

	(in thousands)	
	2010	**2009**
ASSETS		
SaskPower contribution receivable (Note 4)	$30,692	$34,416
Total assets	30,692	34,416
NET ASSETS AVAILABLE FOR BENEFITS	30,692	34,416
Accrued benefits obligation (Note 4)	30,692	34,416
SURPLUS	$ -	$ -

(See accompanying notes to the financial statements)

Saskatchewan Power Corporation **Statement 2**
Severance Pay Credits Plan
Statement of Changes in Accrued Benefits Obligation

Year Ended December 31

	(in thousands)	
	2010	**2009**
INCREASE IN ACCRUED BENEFITS OBLIGATION		
Interest on accrued benefits obligation	$ 976	$ 1,639
Changes in actuarial assumptions	-	3,836
Experience losses	-	258
Benefits accrued	34	42
Total increase in accrued benefits obligation	1,010	5,775
DECREASE IN ACCRUED BENEFITS OBLIGATION		
Employee termination benefits	3,854	2,225
Changes in actuarial assumptions	389	-
Experience gains	491	-
Total decrease in accrued benefits obligation	4,734	2,225
Net (decrease) increase in accrued benefits obligation	(3,724)	3,550
ACCRUED BENEFITS OBLIGATION, beginning of the year	34,416	30,866
ACCRUED BENEFITS OBLIGATION, end of the year	$30,692	$34,416

(See accompanying notes to the financial statements)

Saskatchewan Power Corporation
Severance Pay Credits Plan
Notes to the Financial Statements

December 31, 2010

1. Description of the Plan

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Severance Pay Credits Plan (the Plan) for the purpose of providing severance benefits to SaskPower employees.

The Plan is not registered as a pension plan under the *Income Tax Act (Canada)*. The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the Participants. Benefits are funded out of current operations of the Corporation.

On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Participants

The Plan consists of International Brotherhood of Electrical Workers (IBEW), Communications, Energy and Paperworkers Union (CEP), and Management employees. As of September 30th, the following number of participants were eligible to receive benefits from each type of severance benefit payable under the Plan.

	2010	2009
Pre-1996*	1,005	1,087
Post-1995*	498	462
Pre-2005**	520	547
Post-2005**	98	87

* Includes both IBEW and Management employees
** Includes CEP employees

Benefits

The following describes the various types of severance benefits payable on retirement, termination or death for all Participants under the Plan:

a) Pre-1996 severance pay credits are benefits provided to IBEW and Management employees for company service time prior to January 1, 1996.

b) Post-1995 severance pay credits are benefits provided to IBEW and Management employees for company service time after January 1, 1996.

c) Pre-2005 severance pay credits are benefits provided to CEP employees for company service time prior to February 1, 2005.

d) Post-2005 severance pay credits are benefits provided to CEP employees for company service time after February 1, 2005.

e) For those employees who voluntarily opted out of the Millennium Registered Retirement Savings Plan (MRRSP) due to insufficient RRSP contribution room, any eligible company service will be paid out under the provisions of the Plan document.

Each Participant receives 5 days per year of service at their hourly rate of pay in effect at retirement, termination or death based on the number of hours worked per day.

Upon termination of active service, Participants elect how severance benefits are to be paid. In the event of termination of service, SaskPower, on behalf of the Plan, may pay a Participant's severance benefits in a lump sum. However, in no circumstances shall benefits under this Plan be paid over a period exceeding 5 years.

2. Significant Accounting Policies

These financial statements were prepared in accordance with Canadian generally accepted accounting principles.

The accrued benefits obligation and cost of severance benefits are determined using the projected benefit method pro rated on service.

3. Financial Risk Management

The nature of the Plan's operations result in a statement of net assets available for benefits, and accrued benefits obligation and surplus that consists entirely of financial assets and liabilities. As benefits are funded out of current operations of SaskPower, the Plan's financial risks relate primarily to credit risk. The maximum credit risk to which it is exposed at December 31, 2010 is limited to the carrying value of its contributions receivable from SaskPower.

4. Accrued Benefits Obligation

The accrued benefits obligation of the Plan is receivable from SaskPower and will be funded by SaskPower as participants begin receiving their benefits. The present value of the accrued benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of SaskPower's management. Experience gains (losses) result from actual experience differing from that expected and are recognized as an increase or decrease in accrued benefit obligations.

An actuarial valuation was performed by Aon Consulting Inc. (Aon) as at September 30th for both 2009 and 2010 to determine the actuarial present value of the accrued benefits obligation and is extrapolated by Aon to December 31st of each year.

The accrued benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The significant long-term actuarial assumptions adopted in measuring SaskPower's accrued benefits obligation at December 31 are:

	2010	2009
Discount rate, beginning of year	3.00%	5.50%
Discount rate, end of year	3.25%	3.00%
Promotional Earnings Increases (Management)	1.40%	1.40%
Promotional Earnings Increases (IBEW and CEP)	0.70%	0.70%
Termination Rate	0.90%	0.90%
Long-term rate of compensation increases	3.50%	3.50%
Remaining service life – Pre-1996 (years)	6.40	6.70
Remaining service life – Post-1995 (years)	22.10	22.20
Remaining service life – Pre-2005 (years)	10.40	11.10
Remaining service life – Post-2005 (years)	23.40	23.30

The actuarial present value of the accrued benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is not practicable.

If the discount rate was increased by 1%, the impact would be a 4.9% decrease to the accrued benefits obligation at December 31, 2010. Conversely, if the long-term rate of compensation was increased by 1%, the impact would be a 5.4% increase to the accrued benefits obligation at December 31, 2010.

5. Related Parties

SaskPower and PEBA are related by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from SaskPower at no charge. Additionally, PEBA provides administrative services to the Plan for an administration fee which is paid by SaskPower.

6. Future Accounting Policy Changes

Effective January 1, 2010 the Plan will adopt IFRS in place of Canadian GAAP. SaskPower has determined that there will be no impact on the Plan's future financial position and results of operations under adoption.